
Finance Committee

SSB 5009

Brief Description: Exempting biodiesel fuel used for nonhighway farm use from sales and use tax.

Sponsors: Senate Committee on Agriculture & Rural Economic Development (originally sponsored by Senators Haugen, Hatfield, Poulsen, Sheldon, Holmquist, Rasmussen, Schoesler, Kline and Shin).

<p>Brief Summary of Substitute Bill</p> <ul style="list-style-type: none">• Provides a sales and use tax exemption for the nonhighway use of biodiesel by farmers.

Hearing Date: 4/6/07

Staff: Jeff Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. The state tax is deposited in the State General Fund. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

Fuel is exempt from sales and use tax when the motor vehicle or special fuel tax applies. Fuel used for nonhighway purposes is exempt from fuel tax, but is generally subject to the retail sales and use tax. Motor vehicle fuel is gasoline. Special fuel is any fuel other than gasoline and includes diesel and propane fuel.

The current fuel tax rate is 34 cents per unit volume.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Legislation passed during the 2006 session exempts diesel fuel and aircraft fuel from sales and use tax if the fuel is used by a farm fuel user (FFU) for nonhighway farm activities. A FFU is a farmer or a person who provides horticultural services for a farmer. Horticultural services includes soil preparation, crop cultivation, and crop harvesting services. The sales and use tax exemption does not apply to fuel used for home heating. The exemption does not apply to biodiesel fuel.

Summary of Bill:

Biodiesel fuel for a FFU for nonhighway use is exempted from sales and use tax. The exemption does not cover fuel used for home heating. "Biodiesel fuel" is defined as fuel composed of mono-alkyl esters of long fatty acids derived from vegetable oils or animal fats that is registered with the federal Environmental Protection Agency and meets standards established by the American Society for Testing and Materials.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.